
SASKATCHEWAN GRAIN CAR CORPORATION

ANNUAL REPORT

**For the Year Ended
July 31, 1990**

Saskatchewan Grain Car Corporation

91-04330/

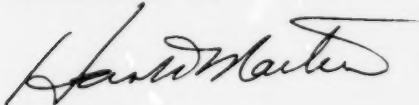
To Her Honour
the Honourable Sylvia Fedoruk
Lieutenant-Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the annual report of the Saskatchewan Grain Car Corporation for the year ending July 31, 1990, including the financial statements therefore, duly certified by Skilnick and Partners, the Corporation's external auditor and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Grain Car Corporation Act, 1981.

I have the honour to be Madam,

Your obedient servant,



Harold Martens
Associate Minister of Agriculture and Food
and Minister in Charge
of the Saskatchewan Grain
Car Corporation

Saskatchewan Grain Car Corporation

DIRECTORS

Honourable Harold Martens

Stuart Kramer, Regina

Gordon Keats, Melville

MANAGEMENT

Stuart Kramer, Regina
Acting General Manager

Donald Shawaga, Melville
Fleet Superintendent

Sandra Konechny, Melville
Secretary

Saskatchewan Grain Car Corporation

Annual Report 1990

The Saskatchewan Grain Car Corporation's hopper car fleet continued to be used in the Canadian Wheat Board's Western Division during the 1989-90 crop year. Saskatchewan Grain Car Corporation had 474 hopper cars on Canadian National lines and 523 on Canadian Pacific lines devoted to grain service. The percentage of cars on the Canadian National and Canadian Pacific was based on the total bushels handled by each carrier in the five year period October 1974 to September 1979. Every two years this formula may be re-applied to the most recent five years to determine a possible re-allocation of cars. A request for re-allocation was received during the 1988-89 crop year which caused some Government of Canada cars to be transferred from Canadian Pacific to Canadian National; however, no Saskatchewan Grain Car Corporation cars were transferred.

The Corporation's office is located in Melville, Saskatchewan. The office is operated by two staff members.

The Corporation previously extended the Operating Agreement, originally signed with the Canadian National, Canadian Pacific and Canadian Wheat Board in February 1981, until a new agreement is ratified. This Agreement allows for the six major grains, wheat, oats, barley, rye, flax and rapeseed to be carried within the Western Division. Other grains may be handled with authorization from the Corporation. In the 1989-90 crop year the Corporation authorized one additional movement as well as movement of grains covered under Schedule 1 of Bill C155, Western Transportation Act, to ensure utilization of the equipment was as high as possible.

During 1989-90 the Corporation's computerized car monitoring system continued to follow the day-to-day movements of the fleet highlighting inactive cars, misloads, or activities contrary to the Corporation's contractual arrangements with the railroads and the Canadian Wheat Board. A bi-monthly summary of statistical reports is obtained to help ensure the fleet is used to capacity.

The following charts compare operations of Saskatchewan Grain Car Corporation's fleet in the 1989-90 and the 1988-89 crop years.

Major Grains Transported in Western Division	1989-90 (Tonnes)	1988-89 (Tonnes)
Wheat, Durum	941,790	552,510
Oats	18,560	24,460
Barley	230,130	135,990
Rye	14,760	4,600
Flax	16,410	12,400
Rapeseed	109,340	92,170
	<u>1,330,990</u>	<u>822,130</u>

Saskatchewan Grain Car Corporation

The Corporation's hopper cars moved 1.33 million tonnes of major grains in 1989-90 compared to .82 million tonnes in 1988-89 within the Western Division. This represents a 62% increase for Saskatchewan Grain Car Corporation movements from 1988-89.

Saskatchewan produced a crop of 18.2 million tonnes of the six major grains and oilseeds in 1989 compared to 11.0 million tonnes in 1988.

Canadian grain exports during the 1989-90 crop year were 25.0 million tonnes compared to 18.5 million tonnes in 1988-89.

In addition to the six major grains moved to ports, approximately 58,000 tonnes of other crops such as alfalfa pellets, malt, bran, etc. were moved within the Western Division. In addition, 28,700 tonnes of major grains travelled out of the Western Division to the U.S.A. and Eastern Canada and 1,300 tonnes of potash moved to the United States and Vancouver to meet export opportunities. This makes a grand total of 1,418,990 tonnes handled by Saskatchewan Grain Car Corporation hopper cars in the 1989-90 crop year. (An increase of 30% in total handling over last year's movements.)

Origin of Movements	1989-90	1988-89
	%	%
Saskatchewan	49.7	46.2
Alberta	32.5	36.0
Manitoba	17.2	17.2
British Columbia	.6	.6
	<u>100.0</u>	<u>100.0</u>

Destinations within Western Division	1989-90	1988-89
	(Trips)	(Trips)
Thunder Bay	5,713	4,315
Vancouver	7,737	4,648
Prince Rupert	2,670	1,436
Feed Plants, etc.	730	295
	<u>16,850</u>	<u>10,694</u>

No cars moved to the Port of Churchill due to the inability of this line to handle hopper cars.

Round Trip Car Cycles

(Average elapsed time for cars to load, unload and reload)

To Port:	1989-90	1988-89
	(Days)	(Days)
Thunder Bay	20.0	23.6
Vancouver	23.2	26.2
Prince Rupert	19.4	23.0
Average - All Ports	21.4	24.7

The Corporation's average round trip car cycle decreased to 21.4 days in 1989-90 from 24.7 days in the previous year.

Saskatchewan Grain Car Corporation

Delay in Car Movements

	1989-90 (Number of cars - % of Fleet)	1988-89 (Number of cars - % of Fleet)
CN	29 - 6.1	38 - 8.0
CP	62 - 11.8	132 - 25.2
Both	91 - 9.1	170 - 17.0

This chart on delayed cars is based on a definition of a delayed car as one which has not had a change in status for more than 10 days. These delays were calculated bi-weekly and were averaged to give an annual figure. The percentage figure was based on the number of cars on each line, that is 523 on CP and 474 on CN.

Damaged Cars

Railway	1989-90	1988-89	Total Since Built
CN	7	4	63
CP	6	9	50
Both	13	13	113

Damage to cars was caused by derailments, side-swipes, loading and unloading accidents, etc. Two cars were declared damaged beyond economical repair during 1984-85 and one during 1986-87. The depreciated value of \$143,363.03 for the three cars was forwarded to the Corporation by the railway and placed in a special Reserve Fund set aside to purchase replacement cars when it is economically advisable to do so. Eleven of the cars damaged in the 1989-90 crop year were in service before the close of the crop year. One car on CP Rail will be repaired and in service mid-September 1990. The other on CN Rail will be in service by mid-September 1990. The other on CN Rail will be in service by the end of 1990.

Alternate Use of Cars

The Corporation's hopper cars were utilized for additional movements as follows:

From January - July 1990

Canadian National moved 336 carloads of oats, barley, durum, flax, etc. from Thunder Bay and other points in Western Canada to various points in the United States of America and Eastern Canada. Canadian Pacific moved 10 carloads of grain to these same areas as well as 12 carloads of potash to the United States and 2 carloads of potash to Vancouver.

Total rental revenue received for Saskatchewan Grain Car Corporation cars usage was \$92,514.00 in the 1989-90 crop year.

Rental usage of Saskatchewan Grain Car Corporation hopper cars was down considerably from last year since hopper cars owned by the various governments were made available for rental this year. As a result the total rental revenue was divided between the various government hopper car owners, and Saskatchewan Grain Car Corporation received lower rental revenue than in 1988-89.

Saskatchewan Grain Car Corporation

Auditor's Report 1990

To the Board of Directors,
Saskatchewan Grain Car Corporation,
Melville, Saskatchewan.

We have examined the statement of financial position of the Saskatchewan Grain Car Corporation as at July 31, 1990, and the statements of revenue and expenditure, surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at July 31, 1990 and the results of its operations and the changes in financial position for the year then ended in accordance with the disclosed basis of accounting applied on a basis consistent with that of the preceding year.

SKilnick + Partners

Melville, Saskatchewan
September 5, 1990

SKILNICK & PARTNERS
Chartered Accountants

Saskatchewan Grain Car Corporation

Statement 1 — Statement of Financial Position

July 31, 1990. (Note 2)

ASSETS	OPERATING FUND		CAPITAL FUND		RESERVE FUND	
	1990	1989	1990	1989	1990	1989
Current Assets						
Cash	203	2,645	Nil	Nil	6	1,450
Short-term investments, at cost (Schedule 1)	1,235,685	1,070,181	Nil	Nil	228,217	198,775
Accounts receivable						
- accrued interest on short-term investment	124	10,805	Nil	Nil	Nil	1,225
- miscellaneous	5,508	34,000	Nil	Nil	Nil	Nil
.....	<u>1,241,520</u>	<u>1,117,631</u>	<u>Nil</u>	<u>Nil</u>	<u>228,223</u>	<u>201,450</u>
Fixed assets						
(Note 1 (b) & (e))	Nil	Nil	54,214,423	54,214,423	Nil	Nil
Less accumulated depreciation (Note 1(e))	Nil	Nil	3,666,660	3,666,660	Nil	Nil
.....	<u>1,241,520</u>	<u>1,117,631</u>	<u>50,547,763</u>	<u>50,547,763</u>	<u>228,223</u>	<u>201,450</u>
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable	458	3,425	Nil	Nil	Nil	Nil
Long-term loan from the Heritage Fund (Note 3)	Nil	Nil	46,349,629	46,349,629	Nil	Nil
Surplus - (Deficit)						
Statement 3	1,241,062	1,114,206	4,198,134	4,198,134	228,223	201,450
.....	<u>1,241,520</u>	<u>1,117,631</u>	<u>50,547,763</u>	<u>50,547,763</u>	<u>228,223</u>	<u>201,450</u>

(See Accompanying Notes to the Financial Statements)

Saskatchewan Grain Car Corporation

Statement 2 — Statement of Revenue and Expenditure

For the Year Ended July 31, 1990.

	Operating Fund (Note 1)	Capital Fund (Note 1)	Reserve Fund (Note 1)	Total 1990	Total 1989
Revenue					
Hopper car lease CN & CP Railways (Note 1(d)(ii))	92,310	Nil	Nil	92,310	1,099,441
Grant - Consolidated Fund - Department of Agriculture & Food (Note 4(b) & (c))	3,005	Nil	Nil	3,005	82,500
Interest - on short term investments	144,904	Nil	26,773	171,677	55,957
Miscellaneous revenue	635	Nil	Nil	635	7,568
	<u>240,854</u>	<u>Nil</u>	<u>26,773</u>	<u>267,627</u>	<u>1,245,466</u>
Expenditures					
Salaries	86,383	Nil	Nil	86,383	83,086
Board of Directors' expenses	300	Nil	Nil	300	300
Administration expenses (Schedule 2)	27,315	Nil	Nil	27,315	26,727
	<u>113,998</u>	<u>Nil</u>	<u>Nil</u>	<u>113,998</u>	<u>110,113</u>
Excess of Revenue over Expenditure (Expenditure over Revenue) for the year	<u>126,856</u>	<u>Nil</u>	<u>26,773</u>	<u>153,629</u>	<u>1,135,353</u>

(See Accompanying Notes to the Financial Statements)

Saskatchewan Grain Car Corporation

Statement 3 — Statement of Surplus

For the Year Ended July 31, 1990.

	Operating Fund (Note 1)	Capital Fund (Note 1)	Reserve Fund (Note 1)	Total 1990	Total 1989
Surplus beginning of year	1,114,206	4,198,134	201,450	5,513,790	4,378,437
Excess of revenue over expenditure (expenditure over revenue) for the year	126,856	Nil	26,773	153,629	1,135,353
Surplus (Deficit), end of year	<u>1,241,062</u>	<u>4,198,134</u>	<u>228,223</u>	<u>5,667,419</u>	<u>5,513,790</u>

(See Accompanying Notes to the Financial Statements)

Saskatchewan Grain Car Corporation

Statement 4 — Statement of Changes in Financial Position

For the Year Ended July 31, 1990.

	1990	1989
Cash provided by (utilized in) operating activities:		
Earnings before extraordinary items	153,629	1,135,353
Add: Charges not requiring current cash payments	Nil	Nil
	153,629	1,135,353
Net change in non-cash working capital balances related to operations - see summary below	37,431	(49,425)
Cash provided by operations	191,060	1,085,928
Cash provided by (utilized in) investment activities decrease (increase) in S.T. Investments	(194,946)	(1,082,175)
Cash provided by (utilized in) investment activities	(194,946)	(1,082,175)
Cash provided by (utilized in) financing activities decrease in long term debt	Nil	Nil
Cash utilized in financing activities	Nil	Nil
Net increase (decrease) in cash during year	(3,886)	3,753
Cash position at beginning of year	4,095	342
Cash position at end of year	209	4,095

Summary of Changes in Non-Cash Working Capital

	1990	1989
Accrued interest on short term investments	11,906	(10,593)
Miscellaneous receivables	28,492	(34,000)
Accounts payable	(2,967)	(4,832)
	37,431	(49,425)

(See Accompanying Notes to the Financial Statements)

Saskatchewan Grain Car Corporation

Notes to Financial Statements

July 31, 1990.

1. Significant Accounting Policies

These financial statements have been prepared in accordance with accounting policies that are considered appropriate for organizations of this type. The significant accounting policies are as follows:

a) The accounts of the Corporation are maintained in three segments:

i) Capital Fund

1. The fixed assets (grain cars) of the Corporation are reported in a Capital Fund, along with the related liability to the Heritage Fund.
2. Since no significant sustainable revenue is attributable to the grain cars, the recording of depreciation in the accounts has been discontinued.

ii) Reserve Fund

All cash receipts from the railways by way of compensation for irreparable damage to grain cars will be retained in the Fund and will be used solely for the purchase of replacement cars. All interest earned from these cash balances will be retained in this Fund. To date, three cars have been irreparably damaged and have not yet been replaced.

iii) Operating Fund

The operating costs and revenue for the Corporation are recorded in the Operating Fund.

b) Purchase of Grain Cars:

The purchase of the grain cars is grouped as a "pool". Purchase costs of cars, together with transportation and inspection expenses are capitalized. The cost of the pool will not be adjusted for irreparably damaged cars nor for replacements purchased from the Reserve Fund.

c) Purchase of Other Fixed Assets:

Purchases of office equipment will be expensed in the year of acquisition to the Operating Fund.

d) Operating Revenue:

i) Operating Agreement

According to the terms of the Operating Agreement between Saskatchewan Grain Car Corporation, Canadian National Railway Company, Canadian Pacific Limited and the Canadian Wheat Board, the railways have the right to manage and operate the corporation's hopper car fleet. Revenue earned by the hopper cars in the movement of wheat, oats, barley, rye, flaxseed and rapeseed in the Western Division shall accrue to the railways for their own account.

Saskatchewan Grain Car Corporation

1. d) Operating Revenue - Continued

ii) Hopper Car Use Agreement

During the year Saskatchewan Grain Car Corporation entered into Agreements with the Canadian Pacific Limited and Canadian National Railway Limited providing for alternate use of the hopper cars. These Agreements provided for alternate usage to the extent the hopper cars were surplus to requirements to transport western grains as set out in the operating agreement.

Terms of the Agreement with Canadian Pacific Limited provided for usage in transporting potash and fertilizer within Canada and grain to points in Eastern Canada and the United States at a daily rate of \$17 per hopper car.

Terms of the Agreement with Canadian National Railway Limited provide for usage in transporting grains from Thunder Bay, Ontario to points in Eastern Canada and the United States at a daily rate of \$17 per hopper car.

e) Depreciation of Grain Cars:

The policy of recording depreciation was discontinued in 1984. This change in accounting policy was necessitated by the change in the terms of the repayment of the long term debt described in note 3, which eliminated the payment of the grant to the Corporation by the Department of Agriculture and Food. Previously depreciation was offset against this grant.

2. Status of the Corporation

The Saskatchewan Grain Car Corporation was established by Order-in Council 1787/79 on October 2, 1979, and continues under the provisions of The Saskatchewan Grain Car Corporation Act.

3. Long-Term Debt

Up to and including March 31, 1983, net operating expenses and debt charges on the long-term loan have been covered annually by an equal grant from the Department of Agriculture and Food from funds appropriated by the Legislature. Effective March 31, 1983, debt charges and principal repayment terms were significantly changed.

By Order-in-Council 1164/83 dated August 3, 1983, the terms and conditions relating to the loan from the Heritage Fund were amended as follows:

- a) The principal amount outstanding of the loan shall be repaid by the 31st day of March, 2011. The Corporation shall have the right to repay from time to time any part of the principal amount outstanding prior to March 31, 2011.
 - b) The loan shall not bear any interest from and after March 31, 1983.
-

Saskatchewan Grain Car Corporation

4. Related Party Transactions

- a) Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

Other amounts due to (from) related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

- b) The Corporation's Melville office is located in a Provincial Government building and prior to April 1, 1987 no rent was paid for use of the space. Effective April 1, 1987 a rental charge of \$708 per month, revised to \$759 effective April 1, 1988, and subsequently revised to \$796 effective April 1, 1989, has been collected by Saskatchewan Property Management Corporation.
 - c) Effective April 1, 1990 the Department of Agriculture and Food has funded the office rental charge by direct grant to Saskatchewan Property Management Corporation. During the current year rental charges of \$3,005 have been paid by grant on behalf of the Corporation.
-

Saskatchewan Grain Car Corporation

Schedule 1 — Schedule of Investments

As at July 31, 1990.

	Description	Rate	Maturity Date	Amount
Operating Fund				
	Melville Credit Union - Term	10.50%	August 31, 1990	3,100
	Melville Credit Union - Term	10.50%	August 15, 1990	28,700
	Ford Credit Corporation	13.42%	September 28, 1990	1,203,885
	Totals - To Statement 1			<u>1,235,685</u>
Reserve Fund				
	Melville Credit Union	10.50%	September 28, 1990	3,100
	Ford Credit Corp.	13.42%	September 28, 1990	225,117
	Totals - To Statement 1			<u>228,217</u>

(See Accompanying Notes to the Financial Statements)

Saskatchewan Grain Car Corporation

Schedule 2 — Schedule of Administration Expenses

For the Year Ended July 31, 1990.

	1990	1989
Bank charges	181	196
Computer services and equipment	8,214	6,557
Office supplies and equipment rent	149	243
Printing and copying	2,328	720
Professional services	3,025	2,615
Rent - office space - Note 4(b)	8,574	9,316
Telephone and telex	3,655	5,267
Travel and sustenance	<u>1,189</u>	<u>1,813</u>
Totals - To Statement 2	<u><u>27,315</u></u>	<u><u>26,727</u></u>

(See Accompanying Notes to the Financial Statements)
